

INITIATIVE NO. 145

A LAW PROPOSED BY INITIATIVE PETITION

This initiative creates an elected public power commission to determine whether purchasing hydroelectric dams in Montana is in the public interest and repeals the Montana Power Authority created by the 2001 legislature. The commission could negotiate to purchase the dams or, if necessary, use the power of condemnation to acquire the dams at fair market value. To pay for the dams, the state could issue \$500 million in bonds to be repaid by the sale of generated electricity. Montana's small consumers would get priority to purchase the electricity. The commission also may invest in renewable energy and conservation projects.

Costs for assessing if acquisition of one or more hydroelectric facilities is in the public interest could be from \$6 to \$12 million. Purchase price and other costs are undeterminable now.

- ☐ FOR creating a public power commission to purchase or condemn hydroelectric dams whose acquisition it determines to be in the public interest.
- ☐ AGAINST creating a public power commission to purchase or condemn hydroelectric dams whose acquisition it determines to be in the public interest.

The language above is the official ballot language. The arguments and rebuttals on the following three pages have been prepared by the committees appointed to support or oppose the ballot measure. The opinions stated in the arguments and rebuttals do not necessarily represent the views of the State of Montana. The State also does not guarantee the truth or accuracy of any statement made in the arguments or rebuttals.

The PROPONENT argument and rebuttal for this measure were prepared by Senator Ken Toole, Don Judge, and Thomas E. Towe.

The OPPONENT argument and rebuttal for this measure were prepared by Representative Roy Brown, Jerome Anderson, Tom Ebzery, Joe Mazurek, and Stan I. Dupree.

ARGUMENT FOR I-145

Electric Deregulation is a disaster. With deregulation, unstable energy prices and corrupt business practices now permeate the electric utility industry. California's energy crisis and the Enron scandal expose an industry out of control. Pennsylvania Power and Light (PP&L), the current owner of many of the dams on our rivers, is no exception. PP&L is now being investigated for price fixing by the Pennsylvania Power Commission. Further, it may be targeted for takeover by a huge German conglomerate.

What's the solution? A vote for I-145 will create an elected Public Power Commission to study whether the State should buy any of the dams. The Commission is authorized to buy them, using the power of eminent domain if necessary, and **Montanans could again be in control of our power and the water rights** that go with it.

How does I-145 help? It provides a stable and dependable power supply. Just like government-owned TVA, Bonneville Power and the State of Nebraska's publicly owned power, our power would be dependable once again, no longer subject to huge fluctuations of the market place where we compete with the enormous California power appetite.

But, how does it help me? A special preference is provided in I-145 to residential and small commercial users in Montana. Homeowners and Main Street businesses would not have to compete with big industries that can afford to pay more for their power.

How will local communities and workers be affected? I-145 specifically provides for reimbursement to local governments for any lost revenue. A special provision protecting existing dam employees is also included.

Are you sure the price of power will be cheaper? Without I-145, the market will drive prices for electricity higher and higher. Montanans will have to compete with Californians to buy power. Californians have more money and are used to paying more for power. With I-145, **we can recapture and retain the cheapest -- or nearly the cheapest -- power in the United States.** We believe we can produce power for Montana residences and Montana businesses for nearly half of what it is costing us right now (check our web site at www.damcheapower.com).

What about the water rights and lands that were sold with the dams? The rights to use Montana's water and riverside lands are now controlled by a huge energy giant headquartered back east. They have no obligation to Montanans. That prospect is frightening, but **I-145 will recapture those water rights and lands.**

Stop the drain on Montana's economy. Hydro power from dams is historically cheaper and more reliable. It's one reason Montanans have always enjoyed nearly the cheapest and most dependable power in the United States -- before deregulation. Now the dams are owned by giant out-of-state corporations. Huge profits from Montana's cheap hydro power will simply be shipped out of state unless we vote for I-145.

Don't take a chance on the market for your electricity. Don't rely on multi-national corporate management for your electricity. Please Vote for I-145. Thank you.

ARGUMENT AGAINST I-145

I-145 PROMISES A LOT – But if the state of Montana condemns privately owned dams and gets into the energy business itself – what will really happen?

- Will my electricity bill go up, or down?
- Will my taxes go up, or not?
- Will this be good for our economy, or bad?

A lot of Montanans have asked those questions – taxpayers, business, labor, ranchers and farmers – and they’ve all come up with the same answer. The “promise” of I-145, is higher electricity bills, higher taxes and another blow to our struggling economy.

That’s why the Montana AFL-CIO, Montana Taxpayers Association, Montana Water Resources Association, Montana Chamber of Commerce, among others – all oppose I-145. Here’s what they found:

I-145, AN EXPENSIVE NEW BUREAUCRACY

The first thing I-145 would do is put five new politicians in office, with no experience requirements whatsoever – and THEY ALONE will decide whether Montana should condemn and take over the dams.

\$12 MILLION, AND COUNTING

The next thing this new bureaucracy would do is spend \$12 million of our taxes on a “study.” And if that’s not enough money, I-145 lets them come back for more.

\$500 MILLION, AND COUNTING

After that, those five politicians can spend \$500 million in bonds, forcing private industry out and forcing the state into the volatile energy business. And ratepayers are on the hook for that \$500 million.

ELECTRICITY RATES? WITH I-145, THE “SKY’S THE LIMIT”

I-145 sets NO limits on future electricity rates. Once the state is in the power business, it could raise our rates to cover the cost of the bonds, make up a budget deficit, or just to bring in more money.

HIGHER TAXES TOO

I-145 would drain \$17 million from your local governments and schools – because that’s how much money the state and counties would lose in taxes. The only way to make up that money is through higher taxes, or higher electricity bills.

I-145, BAD FOR JOBS AND THE ECONOMY

The state budget has already been slashed and we can expect more cuts next year. Low-paying jobs with no future are resulting in Montana’s youth being its fastest growing export. We should be encouraging businesses to come into Montana, not kicking them out.

So here’s what we know about I-145:

We know we’ll be paying millions for a brand new state bureaucracy.

We know we’ll be on the hook for \$500 million in bonds and force the state into one of the riskiest businesses around.

We know I-145 will drain tax dollars from schools, health care and other essential services.

And here’s what we don’t know:

We *don’t* know how high our electricity bills will go.

We *don’t* know how much our taxes will go up.

We *don’t* know how many businesses will say no to a Montana that says no to them.

That’s the real promise of I-145 – a promise we just can’t afford. That’s why taxpayers, labor and business leaders, ranchers and farmers ask you – **Please vote NO on I-145.**

PROPONENTS' REBUTTAL OF ARGUMENT AGAINST I-145

ELECTRIC DEREGULATION – A LONG LIST OF BROKEN PROMISES

Big Corporations promised lower rates – **but a study done by energy expert Tom Schneider shows that electricity rates have actually gone up by \$60 million per year with deregulation!**

Big Corporations promised more competition and customer choice – instead, Pennsylvania Power's deregulated monopoly has resulted in **rates for Montanans going up by \$60 million per year!**

Big Corporations say Montanans will pay \$12 million to study buying back the dams, a figure we believe is unrealistically high – **but they don't say giant out-of-state corporations have raised rates \$60 million per year, a figure five times higher than their own estimated cost of evaluating the dams!**

Big Corporations charge that I-145 is bad for the economy, but don't want to admit their promise of a better economy through deregulation is a dismal failure – **and they certainly don't want to admit shipping \$300 million in higher utility rates to giant out-of-state energy companies over five years is bad for the economy!**

Big Corporations say I-145 will drain local tax dollars. **Not true. I-145 fully reimburses local governments, but raising rates by \$60 million will hurt Montana taxpayers!**

Trusting Big Corporations will cost Montanans \$300 million dollars over five short years. **But with I-145 Montanans can evaluate and buy back the dams, the water rights and the lands bordering our rivers, and provide the energy to Montanans at the lowest rates possible.**

LET'S STOP THE DRAIN ON OUR ECONOMY – VOTE YES ON I-145

OPPONENTS' REBUTTAL OF ARGUMENT FOR I-145

Let's be clear, the state doesn't want to get into the power business, a few folks want to use I-145 to force the state into the power business. Here are some facts:

Fact: When the energy crisis hit the nation, Montana Power Company's rates, under **private ownership remained stable**, no increases, and dependable, no blackouts.

Fact: I-145 will cost dam employees, who prefer to remain in the private sector, their jobs and send a **"YOU'RE NOT WELCOME"** message to new businesses. That's why the **MONTANA AFL-CIO AND THE MONTANA CHAMBER OF COMMERCE OPPOSE I-145.**

Fact: I-145 does not guarantee lower electricity rates. But by **squandering \$12 million** on a study, **risking \$500 million** in bonds, creating **an expensive new bureaucracy** and handing over our power supply to bureaucrats, I-145 virtually guarantees **higher electricity rates.**

Fact: Rights to Montana's water have nothing to do with dam ownership. There are strong, historic protections for our water rights. Responsible water users like the **MONTANA WATER RESOURCES ASSOCIATION OPPOSE I-145.**

Fact: Only NorthWestern Energy customers would get power from the dams, but 400,000 Montanans who buy power elsewhere will be equally taxed to pay for the I-145 boondoggle.

Fact: I-145 will cost the state **\$17 million** in tax revenue **every year**, which means tax increases or budget cuts to make it up. That's why the **MONTANA TAXPAYERS ASSOCIATION OPPOSES I-145.**

Fact: **I-145 will cost taxpayers and ratepayers millions of dollars at a time we can't afford it.**

Oppose I-145. Vote NO. Visit www.damriskybusiness.com.

INITIATIVE REFERENDUM NO. 117

AN ACT OF THE LEGISLATURE REFERRED BY REFERENDUM PETITION

This proposal seeks a public vote on House Bill 474, passed by the 2001 Legislature. HB 474, among other things, changes provisions regarding the deregulation of the electricity industry. It extends the transition to full consumer choice of electricity providers to 2007. It directs the Public Service Commission to set consumer rates to ensure full recovery of all prudently incurred costs by power suppliers. It creates a public Power Authority to construct, finance, and operate electrical facilities funded by state bonds. The bill creates, but does not fund, a consumer support program to ensure the availability of affordable power.

It is not possible to determine the financial impact of this proposal due to the uncertainties in the electricity and bond markets.

- ☐ APPROVE House Bill 474, a bill that changes provisions of the deregulation of the electricity industry.
- ☐ REJECT House Bill 474, a bill that changes provisions of the deregulation of the electricity industry.

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The PROPONENT argument and rebuttal for this measure were prepared by Senator Tom Beck and Representative Doug Mood.

The OPPONENT argument and rebuttal for this measure were prepared by Representative Michelle Lee, Lloyd D. Bender, and Caryl V. Miller.

ARGUMENT FOR HOUSE BILL 474

(Referred to voters by IR-117)

The voters of Montana are encouraged to vote to APPROVE House Bill 474.

House Bill 474 has already proven its value in protecting Montana consumers, as demonstrated in the recent Public Service Commission hearings.

The Public Service Commission (PSC) issued a ruling in June of this year that was widely regarded by Montana citizens and Montana editorial writers as being a landmark decision. The PSC denied the approval of five out of seven contracts that NorthWestern Energy Co. (the former Montana Power Co.) had presented to the PSC for inclusion in the default supply portfolio. The makeup of the default supply portfolio will determine the price that NorthWestern's customers will pay for electricity. The PSC decided that the five contracts that were rejected had not been "prudently incurred" and told NorthWestern that the contracts had to be redone. That decision has the potential to save the electricity ratepayers of Montana over \$50 million over the next five years. The language that gave the PSC the authority for that decision is contained in House Bill 474. It would be absolutely foolish to deny this protection to electricity consumers by eliminating this language from Montana statute. Vote for approval of 474 so we can retain this protection.

The opponents of House Bill 474 say that the bill did not have an adequate public hearing. That is not true.

Over fifty bills dealing with energy policy were heard by various committees of the 2001 Legislature. Those committee hearings were advertised throughout the state, and the public was invited to participate and comment on each of these proposals. House Bill 474 was the result of work that was done by a conference committee in the last weeks of the 2001 legislative session. The conference committee analyzed those fifty bills. They took the best ideas from those fifty bills and amended them into HB 474 in order to create a cohesive energy policy for the state. As each bill was amended into HB 474, the conference committee again opened up the discussion to the public and asked for comments. HB 474 was also debated extensively in the Montana Senate and in the House of Representatives. There was adequate opportunity for public comment.

What does House Bill 474 actually do?

HB 474 includes eight different changes or additions to Montana energy policy. The most pertinent policy changes are as follows:

- Clarifies who the electricity "default supplier" is for all Montana consumers.
- Requires all public utilities to offer separately marketed "green energy" to consumers who choose to purchase energy that has been produced from renewable resources.
- Extends the Universal Systems Benefit Programs for two more years and requires that 6% of USBP money be spent to improve irrigation efficiency. The USBP also helps low-income families with their power bills.
- Provides the PSC with guidelines for allowing electricity suppliers to recover "prudently incurred" costs.

HB 474 makes important and effective changes to Montana's energy policy. Vote for APPROVAL of HB 474.

ARGUMENT AGAINST HOUSE BILL 474

(Referred to voters by IR-117)

- **HB 474 should be rejected** because it has adverse consequences for every Montanan by shifting the financial risk from private investors to Montana taxpayers and ratepayers.
- HB 474 authorizes the state to make loans to build **highly speculative** electricity generating facilities and also **forces taxpayers to pay off those loans if any fail!**
- HB 474 authorizes a State Power Authority to get into the risky and volatile business of buying and reselling electricity, as well as building and running state-owned power plants and transmission lines, **similar to the multi-billion dollar California Plan that failed.**
- **HB 474 strips consumer protections for electricity rates.** Formerly, the Montana Public Service Commission regulated electricity rates.
- **HB 474 holds hostage residential and small business consumers** as a party to power contracts, which are based on an unstable market. Unregulated wholesale electricity suppliers now control supplies and prices in an unregulated monopoly.
- This Act risks putting the state and taxpayers into the energy business. It creates an independent Power Authority to construct, finance, and operate electrical facilities funded by the state.
- Prices have already increased, even though generation costs remain the same as before. The Flathead area already has been hit hard. **As of July 1, 2002, NorthWestern Energy has announced a typical residential bill increase of 9.96%.** That increase is a result of a 43% increase in supply rates.
- HB 474 will eventually affect almost every consumer of electricity as the deregulation process extends to more electricity utilities. Utilities such as Montana-Dakota Utilities have a longer time to begin the deregulation process.
- Montana prematurely passed deregulation legislation without adequate hearings or debate. Deregulation makes little sense in Montana. Montanans should be able to buy energy produced in this state at the most favorable price. **Under the current deregulation scheme, Montana consumers must bid against Californians and others for electricity generated in Montana, and at higher prices.**
- **Wiping the slate clean by rejecting HB 474, then passing a consumer-friendly, Montana-focused energy policy will benefit all Montana consumers.**

PROPOSERS' REBUTTAL OF ARGUMENT AGAINST HOUSE BILL 474

House Bill 474 authorizes the creation of a state Power Authority, but that is hardly a reason to reject the bill. HB 474 also authorizes the Power Authority to issue revenue bonds for financing the construction of new electricity generation and transmission lines.

These **revenue bonds do not put the Montana taxpayer at any risk.** The risk of revenue bonds is entirely borne by the revenue bond purchasers and investors, not the ratepayers or the taxpayers.

The Power Authority has never been activated and probably never will be activated. The Power Authority was created to assure the Montana electricity consumer that there would be competition in the electricity markets here in Montana. **Since HB 474 was passed by the legislature, power markets have stabilized** at rates that are more reflective of historic averages and competitive markets.

Residential electricity users are far better protected by competitive markets than they would be by increased regulations. HB 474 assures Montanans that competitive markets will exist.

Electricity produced in Montana will always be cheaper when sold in Montana than it would be if it has to be sent across hundreds of miles of transmission lines.

If voters reject HB 474, that does not “wipe the slate clean.” It would return us to previously existing energy policies that do not give Montana residents the same level of protections.

Vote to approve House Bill 474.

OPPONENTS' REBUTTAL OF ARGUMENT FOR HOUSE BILL 474

- **FACT – HB474 weakened the position of the Public Service Commission to fully regulate and oversee a consumer-friendly energy market.** The PSC does not have the power to deny contracts that were not put out for bids or that involve monopolistic prices. HB 474 requires the PSC to pass on to consumers the cost of energy bought by default suppliers via the “prudently incurred” costs mechanism – even if the energy is contracted in a monopolistic market.

- **FACT – HB474 never had a public hearing in its final, cobbled-together form.** Instead, 50 other legislative bills were merged into HB474 and it passed on the last day of the legislative session. **Consumer voices were never heard.** For an issue as important as energy, Montanans deserve better! **Reject HB 474. Wipe the slate clean,** and then pass a Montana-focused, consumer-friendly energy policy.

- **FACT – The Universal Systems Benefit Program (USBP) must be revised and extended, as the Transition Advisory Committee has already recommended to the 58th legislature. Before expiring July 31, 2003, the next legislature should renew the USBP.** The next legislature should pass separate alternative energy sources legislation and address the concerns of low income, alternative energy programs and irrigator funding separately; after all, energy is too important of an issue to continue to cobble together.

- **FACT – HB 474 puts the taxpayers at risk** for state loans and bonding for new electricity plants and should be rejected.

